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**WESTERN MASON COUNTY WATER DISTRICT  
DOVER, KENTUCKY  
AUDITED FINANCIAL STATEMENTS  
For the Years Ended December 31, 2012 and 2011**



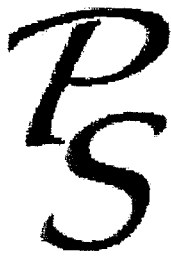
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**WESTERN MASON COUNTY WATER DISTRICT**  
**DOVER, KENTUCKY**  
**For the Years Ended December 31, 2012 and 2011**

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# Penny R. Stanfield, CPA & Co., PLLC

Certified Public Accountant

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Western Mason County Water District  
Dover, Kentucky 41034

### **Report on the Financial Statements**

I have audited the accompanying financial statements of Western Mason County Water District as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Western Mason County Water District as of December 31, 2012 and 2011, and the respective changes in financial position and cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

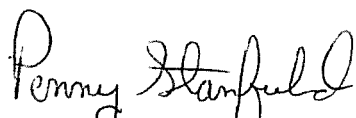
Management has omitted the management's discussion and analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Western Mason County Water District's basic financial statements. The accompanying supplemental information on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued a report dated January 24, 2014, on my consideration of the Western Mason County Water District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Western Mason County Water District's internal control over financial reporting and compliance.



PENNY R. STANFIELD, CPA & CO., PLLC  
Maysville, Kentucky  
January 24, 2014

**WESTERN MASON COUNTY WATER DISTRICT**  
**STATEMENTS OF NET POSITION**  
**PROPRIETARY FUND**  
**December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents - Unrestricted	\$ 6,180	\$ 10,507
Accounts Receivable Customers - (Less Allowance For Doubtful Accounts of \$38,162)	88,487	80,768
Inventory	93,854	6,419
Total Current Assets	<u>188,521</u>	<u>97,694</u>
Noncurrent Assets:		
Cash and Cash Equivalents- Restricted	147,665	136,288
Bond Issuance Cost	3,782	3,912
Capital Assets:		
Nondepreciable	206,996	1,561,314
Depreciable, Net of Accumulated Depreciation	4,468,241	3,278,118
Total Noncurrent Assets	<u>4,826,684</u>	<u>4,979,632</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 5,015,205</b></u>	<u><b>\$ 5,077,326</b></u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 46,258	\$ 16,827
Accrued Taxes	12,893	12,381
Accrued Interest	99,015	100,664
Customer Deposits	14,200	11,900
Current Portion of Long-Term Debt	57,966	32,000
Total Current Liabilities	<u>230,332</u>	<u>173,772</u>
Noncurrent Liabilities		
Notes Payable	266,717	284,453
Bonds Payable	2,641,000	2,683,500
Total Noncurrent Liabilities	<u>2,907,717</u>	<u>2,967,953</u>
<b>TOTAL LIABILITIES</b>	<u><b>3,138,049</b></u>	<u><b>3,141,725</b></u>
<b>NET POSITION</b>		
Investment in Capital Assets, Net of Related Debt	1,709,554	1,839,479
Restricted for:		
Debt Service	139,002	129,573
Customer Deposits	7,613	5,664
Capital Projects & Replacement	1,051	1,051
Unrestricted	19,936	(40,166)
<b>TOTAL NET POSITION</b>	<u><b>\$ 1,877,156</b></u>	<u><b>\$ 1,935,601</b></u>

The accompanying notes are an integral part of these financial statements.

**WESTERN MASON COUNTY WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**

For the Year Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Water Sales	\$ 488,804	\$ 479,080
Service Charges and Other Revenue	40,445	25,191
<b>Total Operating Revenues</b>	<b>529,249</b>	<b>504,271</b>
<b>OPERATING EXPENSES</b>		
Accounting and Legal	6,045	8,219
Amortization	130	130
Contracted Services	6,760	5,460
Depreciation	154,582	154,800
Employee Benefits	46,623	55,532
Equipment Rental	2,173	2,354
Insurance	16,125	14,866
Materials & Supplies	34,777	8,680
Office and Utility Expense	42,770	29,152
Purchased Power	37,230	37,955
Purchased Water	15,268	18,322
Regulatory Commission Expense	884	780
Repairs and Maintenance	11,172	7,597
Salaries & Wages	159,918	158,494
Vehicle Expense	13,868	13,096
Water Testing	4,659	3,026
<b>Total Operating Expenses</b>	<b>552,984</b>	<b>518,463</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(23,735)</b>	<b>(14,192)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Sewer Billing Fees	10,945	11,940
Customer Tap Fees	5,250	6,000
Interest Income	-	20
Interest Expense	(119,687)	(121,225)
Gain (Loss) on Disposal of Assets	(66,165)	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(169,657)</b>	<b>(103,265)</b>
<b>Net Income (Loss) Before Capital Contributions</b>	<b>(193,392)</b>	<b>(117,457)</b>
Capital Grants	134,947	137,406
<b>CHANGE IN NET POSITION</b>	<b>(58,445)</b>	<b>19,949</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>1,935,601</b>	<b>1,915,652</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 1,877,156</b>	<b>\$ 1,935,601</b>

The accompanying notes are an integral part of these financial statements.

**WESTERN MASON COUNTY WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
PROPRIETARY FUND**

**For The Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts From Customers	\$ 523,830	\$ 533,170
Payments to Suppliers	(297,495)	(214,859)
Payments to Employees	(159,918)	(158,494)
<b>Net Cash Provided by Operating Activities</b>	<b>66,417</b>	<b>159,817</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Income	-	20
<b>Net Cash Provided by Investing Activities</b>	<b>-</b>	<b>20</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Loan	13,000	-
Principal Paid on Capital Debt	(47,270)	(33,121)
Purchases of Capital Assets	(56,552)	(145,397)
Contributed Capital-Tap Fees	5,250	6,000
Contributed Capital - Federal Grants	134,947	137,406
Net Receipts from Sanitation District	10,945	11,940
Interest Paid on Capital Debt	(119,687)	(111,844)
<b>Net Cash Used in Capital and Financing Activities</b>	<b>(59,367)</b>	<b>(135,016)</b>
<b>NET INCREASE IN CASH</b>	<b>7,050</b>	<b>24,821</b>
Cash and Cash Equivalents - At Beginning of Year	146,795	121,974
<b>CASH AND CASH EQUIVALENTS - AT END OF YEAR</b>	<b>\$ 153,845</b>	<b>\$ 146,795</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ (23,735)	\$ (14,192)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	154,582	154,800
Amortization Expense	130	130
Change in Assets and Liabilities:		
Accounts Receivable, Net	(7,719)	28,974
Inventory	(87,435)	194
Accounts Payable and Other Payables	28,294	(10,014)
Customer Deposits	2,300	(75)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 66,417</b>	<b>\$ 159,817</b>

The accompanying notes are an integral part of these financial statements.

**WESTERN MASON COUNTY WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2012 and 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Western Mason County Water District (District) was incorporated as a public body in 1958 under Chapter 74 of Kentucky Revised Statutes. The Kentucky Public Service Commission presently regulates the District.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

**The Reporting Entity**

The District, for financial purposes, includes all of the funds relevant to the operations of the District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Western Mason County Water District.

The financial statements of the District would include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of financial interdependency, selection of government authority, designation of management, ability to significantly influence operations, accountability of fiscal matters, scope of public service and financing relations.

Based on the foregoing criteria there are no other organizations included in these financial statements.

The District, presented as an enterprise fund, does not apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or after November 30, 1989.

**Enterprise Funds**

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The financial statements of the District are prepared using the economic resources measurement focus for the proprietary fund financial statements. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. With the measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position.



**WESTERN MASON COUNTY WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2012 and 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting**

The accounts of the District are maintained on the accrual basis of accounting. The District's financial statements include the operations of all entities for which the District exercises oversight responsibility. Oversight responsibility includes, but is not limited to financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

**Inventory**

The cost of inventory is recorded at cost valued on the FIFO method.

**Cash Flows**

For purposes of the statement of cash flows, the District uses the direct method of reporting net cash flow from operating activities, and considers certificates of deposit with a maturity of six months or less to be cash equivalents.

**Fixed Assets**

Fixed assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. Depreciation is applied on the straight-line method over the estimated useful life of the asset, using rates determined by reference to Utility Standards Rates (NARUC). Asset lives range from 25 to 40 years for system lines and plant, 20 years for pumping equipment, 20 years for meters, and from 5 to 20 years for equipment, tools, and office furniture and equipment. The provisions for depreciation reflect those standard rates by asset class.

**Power Costs**

The cost of power purchased for pumping water is charged to expense as used.

**Income Tax Status**

The District is a political subdivision created under Kentucky Revised Statutes 74.012, and as such, is exempt from federal and state income taxes. Accordingly, the financial statements include no provision for income taxes.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Unbilled Revenue**

The District records revenue as billed to its customers on a monthly meter reading cycle. At the end of each year, water service that has been rendered from the latest date of each meter reading to the year-end is unbilled revenue receivable.

**WESTERN MASON COUNTY WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2012 and 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position**

Net position represents the difference between assets and liabilities in the statement of net position. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**NOTE 2: CUSTODIAL CREDIT RISK**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash and cash equivalents consist of checking and savings accounts with local banks. The District does not have a deposit policy for custodial credit risk. As of December 31, 2012 all of the District's deposits were covered by Federal Depository Insurance Corporation (FDIC) insurance.

**NOTE 3: RETIREMENT PLAN**

The District does not participate in County Employees Retirement System of Commonwealth of Kentucky (CERS).

**NOTE 4: CHANGE IN ACCOUNTING PRINCIPLE**

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

**WESTERN MASON COUNTY WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2012 and 2011**

**NOTE 5: RESERVES**

The Western Mason County Water District is required to comply with the bond agreements of all bond issues as follows:

**A. SINKING FUND**

On or before the 20<sup>th</sup> day of each month and after the required payment to the Operation and Maintenance Fund Account, the District is required to set aside an amount into a special account known as the "Western Mason County Water District, Bond and Interest Sinking Fund". The amount to be set aside and paid into the Sinking Fund each month shall be sums equal to the following amounts:

- (1) A sum equal to one-sixth (1/6) of the interest becoming due on the next succeeding interest due date, with respect to all outstanding Bond Issues.
- (2) A sum equal to one-twelfth (1/12) of the principal of all such bonds maturing on the next succeeding January 1.

The required balance at December 31, 2012 was \$138,609. The District set aside \$139,002 at December 31, 2012 into the restricted account. However, deposits were not made to the Sinking Fund on a monthly basis as required in (1) and (2).

**B. DEPRECIATION FUND**

The District is required to deposit \$947 each month into the Depreciation Fund account as well as the proceeds from the sale of any equipment no longer usable or needed, fees or charges collected from potential customers to aid in the financing of the cost of extensions, additions and/or improvements to the project, plus the proceeds of any property damage insurance not immediately used to replace damaged or destroyed property. Monies in the Depreciation Fund shall be available and shall be withdrawn and used, upon appropriate certification to Rural Development, for the purpose of paying the cost of constructing replacements, extensions, additions and/or improvements to the project. The required balance at December 31, 2012 was \$97,280. The District had set aside \$1,051 at December 31, 2012 into a restricted account, and therefore the account is underfunded by \$96,229.

**NOTE 6: RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance coverage for the risks to the extent deemed prudent by District's management.

**WESTERN MASON COUNTY WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2012 and 2011**

**NOTE 7: FIXED ASSETS**

Capital asset activity for the year ended December 31, 2012 was as follows:

<u>Business-Type Activities</u>	<u>Balance</u> <u>Jan. 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 206,996	\$ -	\$ -	\$ 206,996
Construction in Progress	1,354,318	17,550	(1,371,868)	-
Total Capital Assets, Not Being Depreciated	<u>1,561,314</u>	<u>17,550</u>	<u>(1,371,868)</u>	<u>206,996</u>
Capital Assets, Being Depreciated:				
Plant in Service	4,974,036	1,374,579	(204,137)	6,144,478
Other Depreciable Assets	45,853	36,292	(17,885)	64,260
Total Capital Assets, Being Depreciated	<u>5,019,889</u>	<u>1,410,871</u>	<u>(222,022)</u>	<u>6,208,738</u>
Less accumulated depreciation:				
Plant in Service	1,525,944	150,294	(138,323)	1,537,915
Other Depreciable Assets	215,827	4,288	(17,533)	202,582
Total accumulated depreciation	<u>1,741,771</u>	<u>154,582</u>	<u>(155,856)</u>	<u>1,740,497</u>
Total Capital Assets, Being Depreciated, Net	<u>3,278,118</u>	<u>1,256,289</u>	<u>(66,166)</u>	<u>4,468,241</u>
<b>Business-Type Activities Capital Assets - Net</b>	<b><u>\$ 4,839,432</u></b>	<b><u>\$ 1,273,839</u></b>	<b><u>\$ (1,438,034)</u></b>	<b><u>\$ 4,675,237</u></b>

Capital asset activity for the year ended December 31, 2011 was as follows:

<u>Business-Type Activities</u>	<u>Balance</u> <u>Jan. 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 206,996	\$ -	\$ -	\$ 206,996
Construction in Progress	1,216,858	137,460	-	1,354,318
Total Capital Assets, Not Being Depreciated	<u>1,423,854</u>	<u>137,460</u>	<u>-</u>	<u>1,561,314</u>
Capital Assets, Being Depreciated:				
Plant in Service	4,968,036	6,000	-	4,974,036
Other Depreciable Assets	52,434	1,937	(8,518)	45,853
Total Capital Assets, Being Depreciated	<u>5,020,470</u>	<u>7,937</u>	<u>(8,518)</u>	<u>5,019,889</u>
Less accumulated depreciation:				
Plant in Service	1,373,963	151,981	-	1,525,944
Other Depreciable Assets	221,526	2,819	(8,518)	215,827
Total accumulated depreciation	<u>1,595,489</u>	<u>154,800</u>	<u>(8,518)</u>	<u>1,741,771</u>
Total Capital Assets, Being Depreciated, Net	<u>3,424,981</u>	<u>(146,863)</u>	<u>-</u>	<u>3,278,118</u>
<b>Business-Type Activities Capital Assets - Net</b>	<b><u>\$ 4,848,835</u></b>	<b><u>\$ (9,403)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,839,432</u></b>

**WESTERN MASON COUNTY WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2012 and 2011**

**NOTE 8: NOTES PAYABLE**

The following is a summary of notes outstanding for the year ending December 31, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance
Loan - Bank of Maysville - \$70,075, Interest rate 4.0%, due 01/19/2021, Annual payments of interest only	\$ 67,953	\$ -	\$ 5,834	\$ 62,119
Loan- Kentucky Infrastructure Authority (KIA) Interest rate- 2.0%, due 12/1/31 Semi-annual payments of \$6,989 beginning in 2012	216,500	13,000	9,436	220,064
Total	<u>\$ 284,453</u>	<u>\$ 13,000</u>	<u>\$ 15,270</u>	<u>\$ 282,183</u>

**NOTE 9: BONDS PAYABLE**

The following is a summary of revenue bonds payable for the year ended December 31, 2012.

The revenues of the District are pledged as collateral for the following debt:

	Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
1988 Series	5.75%	\$ 350,000	05/01/28	\$ 244,000	\$ -	\$ 9,000	\$ 235,000
1997 Series	4.88%	201,000	10/07/36	166,500	-	3,500	163,000
2001 Series	4.75%	258,000	01/11/42	235,000	-	3,500	231,500
2007 Series	4.25%	1,401,000	05/08/48	1,370,000	-	16,000	1,354,000
2010 Series	3.50%	700,000	01/01/50	700,000	-	-	700,000
Subtotal				<u>\$ 2,715,500</u>	<u>\$ -</u>	<u>\$ 32,000</u>	<u>\$ 2,683,500</u>
Less: Current Maturities							(42,500)
Total							<u>\$ 2,641,000</u>

The following is a schedule of long-term debt maturities at December 31, 2012:

	Principal	Interest
2013	42,500	111,973
2014	45,500	110,080
2015	46,000	108,055
2016	49,500	106,002
2017	52,000	103,784
2018-2022	297,000	482,013
2023-2027	372,000	408,344
2028-2032	366,000	323,860
2033-2037	409,500	244,921
2038-2042	440,500	158,278
2043-2047	468,500	68,638
2048-2050	94,500	4,313
	<u>\$ 2,683,500</u>	<u>\$ 2,230,260</u>

## **SUPPLEMENTAL INFORMATION**

**WESTERN MASON COUNTY WATER DISTRICT  
SUPPLEMENTAL INFORMATION REQUIRED BY RURAL DEVELOPMENT  
For the Year Ended December 31, 2012**

**Schedule of Insurance in Force**

<u>Insurance Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration Date of Policy</u>
General Liability	\$ 3,000,000	07-01-15
Property - Building & Contents	\$ 1,962,000	07-01-15
Equipment & Vehicles	\$ 156,500	07-01-15
Fidelity Bond		
Public Officials Bond	\$ 1,000/each	Indefinite
Encroachment Bonds	\$ 177,000	10-07-13
	5,000	03-26-13
	6,500	06-24-13
Workers' Compensation	Statutory	07-01-13
Treasurer Bond	\$ 250,000	Indefinite

**Commissioners**

Larry Redden, Chair  
Jerry Fields  
Pam Carpenter



# Penny R. Stanfield, CPA & Co., PLLC

*Certified Public Accountant*

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners  
Western Mason County Water District  
Dover, Kentucky 41034

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Western Mason County Water District as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Western Mason County Water District's basic financial statements, and have issued my report thereon dated January 24, 2014.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Western Mason County Water District's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Western Mason County Water District's internal control. Accordingly, I do not express an opinion on the effectiveness of Western Mason County Water District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses I identified certain deficiencies in internal control that I consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider item 2012-1 described in the accompanying schedule of findings and responses to be a material weakness.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

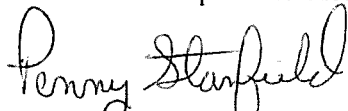
As part of obtaining reasonable assurance about whether Western Mason County Water District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2012-2.

### **Western Mason County Water District's Response to Findings**

Western Mason County Water District's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. Western Mason County Water District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



PENNY R. STANFIELD, CPA & CO., PLLC  
Maysville, Kentucky

January 24, 2014

**WESTERN MASON COUNTY WATER DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended December 31, 2012**

**2012-1      LACK OF SEGREGATION OF DUTIES**

Condition:            The District continues to have a lack of segregation of duties. The office manager performs and manages all of the accounting transactions. While the work performed by the office manager is sufficient, there remains the overall problem of lack of segregation of duties.

Criteria:             Proper segregation of duties should be in place to ensure that no single individual has complete control over an accounting function.

Cause:                This is due to the small size of the District.

Effect:                Since one employee had control over all accounting transactions and no other compensating controls were in place, duties were not adequately segregated.

Recommendation:    The board of commissioners needs to provide more oversight.

Response:            The Board will take steps to insure the separation of duties, where possible, is maximized.

**2012-2      SINKING AND DEPRECIATION FUND DEPOSIT REQUIREMENTS**

Condition:            Monthly deposits into the Depreciation and Sinking Funds were not made as required throughout the year. Because of the failure to make monthly deposits, the Depreciation Fund is underfunded.

Recommendation:    The District must resume funding the Depreciation and Sinking Funds on the monthly basis in order to be in compliance with bond covenants.

Response:            The District will begin making the required monthly payments to the necessary funds.